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SUBJECT: CIVAIR ECUADOR UPDATE: TRAVEL AGENT FEES AND AIRPORT FEES

REFTELS: A) STATE 103467, B)07 QUITO 2168

¶1. (SBU) Summary. Per reftel A demarche, Emboffs urged U/S of Aviation Guillermo Bernal not to set minimum travel agent fees, but Bernal favors regulation to protect small travel agents. On a separate aviation matter, foreign carriers reached agreement with the Quito airport concessionaire on airport fee increases over the next two years. End Summary.

Travel Agent Commissions

¶2. (SBU) Econoffs and Commercial Counselor met with Under Secretary for Aviation and Airports Guillermo Bernal on October 3 to deliver reftel A points on travel agent fees. Bernal listened politely but clearly favored continued regulation to protect small travel agencies. Emboff noted that airlines would prefer that the market determine the appropriate fees. Bernal replied that previously all travel agencies received a 10% commission, but now many agencies receive fees as low as 1%, which he described as "the other extreme." He noted that consolidators sometimes receive as much as 20% fees. He suggested that he was trying to allow smaller agencies to compete with their larger rivals, looking for a "mid-point" of fees that would keep them from being wiped out. He clearly felt that the current 3-4% commission was appropriate, but suggested that he would be willing to sit down with airline officials to discuss the matter. He emphasized that he would view this as a negotiation, however, and hoped that the airlines would not simply insist on 1% commissions without offering any flexibility.

Other Ticket Fees

¶4. (SBU) Bernal also noted frustration with the airlines over what he described as illegal fees imposed on customers. According to Bernal, airlines are charging ticket issuance fees, even though travel agents are the ones issuing the tickets and are imposing the same fee on clients. Bernal stated that charging a fee for no service or product is illegal.

¶5. (SBU) Bernal informed Emboffs that the GOE is beginning to incorporate airport exit fees into airline tickets. He stated that this would be a phased process, since Quiport - the airport concessionaire - would have to adjust to payments arriving every 15 days rather than instantaneously. He said that American Airlines was the only company to approve the process thus far, but said that others would be allowed to follow suit.

Quiport and Airlines Narrow Differences Over Airport Fees

¶6. (SBU) In the course of the meeting, Bernal also noted that airlines have come to agreement on airport fees with the Quito airport concessionaire, Quiport (ref B). Separately, Econoff spoke with Quiport CEO Luis Perez, and confirmed that some airlines,

including U.S. carriers Delta and Arrow Air, had signed "Principles of Cooperation" (POC) agreements with Quiport, in which they negotiated lower fee payments until the new Quito airport opens in 2010 (at which time the payments will rise by approximately 15-20%).

The airlines that did not sign POCs will pay the regularly-scheduled operating fees. Perez confirmed that all the airlines are now paying fees directly to Quiport, and that Quiport has had several good meetings since May with the airline association. (Note: In September 2007 an Ecuadorian court rejected the airlines' legal challenge to the Quiport fee increases, and subsequently clarified that the airlines could not continue their practice of paying the fees, under protest, to the court.)

[17](#). (SBU) Comment: Bernal apparently sees himself as a mediator between competing interests in the Ecuadorian aviation industry. He sought to narrow the differences between Quiport and international carriers, and now he seems intent on striking a balance between airlines and travel agents rather than letting the market set commissions.

Hodges